# COMMENTS OF Propel Fuels ON FUNDING PLAN FOR THE AIRQUALITY IMPROVEMENT PROGRAM AND LOW CARBON TRANSPORTATION GREENHOUSE GAS REDUCTION FUND INVESTMENTS

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## 1) Summary of Concerns

We appreciate the opportunity to comment on the FY 2014-15 Funding Plan for AQIP and Low Carbon Transportation Greenhouse Gas Reduction Fund Investments. We strongly support nearly all the programs outlined in the plan, and offer these comments as suggested improvements.

Propel Fuels is the largest direct retailer of low-carbon liquid fuels in California, with 43 fueling stations throughout the state selling E85 and B20 biodiesel and R80 renewable diesel fuels. Many of these fueling stations provide low-carbon liquid fuels directly to customers who live within Cal-EPA designated disadvantaged communities, which must be provided a portion of any Greenhouse Gas Reduction Funds (GGRF) in compliance with SB 535.

Based on our analysis of the Cal-EPA maps of disadvantaged communities (see below), Propel has real, proven, data-supported experience providing low-carbon transportation access to these communities. Of our 43 locations in California, more than 50% are located directly within or adjacent to Cal-EPA designated disadvantaged areas, and 88% are within a 15-minute drive time of those areas.

Our specific concerns with the proposed investment plan include:

- The name of this proposal is the AQIP Program and ***Low Carbon Transportation*** Greenhouse Gas Reduction Fund Investments (emphasis added).
- We do not see any low-carbon transportation project proposals in this plan other than electric-drive passenger vehicles for non-disadvantaged communities and, for disadvantaged communities, small EV pilot projects and commercial vehicle demonstration pilot projects for technologies that either do not yet exist or are in very early development stages and many years away from market viability.
- There is no direct financial connection in this investment plan between the GGRF and people who live within the SB 535 designated disadvantaged communities. However, there is a direct financial connection – via the CVRP – between the GGRF and people who are *not* designated disadvantaged (see analysis below). This disparity is not adequately addressed in this investment plan's current iteration.
- While this plan offers a direct "onramp" to participation in low-carbon transportation to people who are not disadvantaged, there is no direct "onramp" for those who are disadvantaged.

We had expected that any low-carbon transportation plan developed by CARB to include not just predominantly electric drive technologies, but also low-carbon fuels as another avenue, or onramp, for broader public participation and acceptance of the notion of low-carbon transportation. Moreover, we had expected a more robust plan to comply with the provisions of SB 535, which requires certain percentages of GGRF revenue to be applied to Cal-EPA designated disadvantaged/underserved communities.

In Section 3 below, we outline our suggested remedies for these deficiencies. We understand that the AQIP program does not have a specific provision for low-carbon fuel infrastructure project funding. However, the proposed Advanced Technology Freight Demonstration category does allow for fueling infrastructure funding tied to freight movement. As well, having attended recent CARB workshops about AQIP and GGRF funding requirements, we took away the explicit conclusion that fuel projects fall under the new, expanded AQIP banner.

This proposed investment plan can, and should, fund low-carbon fueling projects. Thus, we'd encourage a more creative approach to complying with SB 535 via a low-carbon fuel pathway, because <u>every</u> Californian can use low-carbon fuels, not just those who can afford a new electric vehicle.

Regarding the $10 million proposed for the AQIP Truck Loan Assistance Program, it cannot be shown that replacing old diesel trucks with new equipment reduces greenhouse gases. But this is a creative way to bring about more compliance with the On-Road Heavy-Duty Diesel Vehicles (In-Use) Regulation, proving that CARB can, and does, innovate with public policy for the common good. The precedent is established.

We also understand that, traditionally, alternative fueling infrastructure funding comes from the California Energy Commission's Alternative and Renewable Fuel and Vehicle Technology Program (ARFVTP). We have participated in this program and appreciate its value. However, as far as we have been able to determine, this CEC program is not bound by the same SB 535 requirements as the Low Carbon Transportation GGRF Investments plan, because the CEC's revenue source is not related to GGRF proceeds. Therefore, only the GGRF can guarantee funding for low-carbon liquid fuel infrastructure projects within disadvantaged communities.

**2) Policy Recommendations**

In this Low Carbon Transportation Greenhouse Gas Reduction Fund Investments plan, we strongly encourage CARB to:

- Acknowledge that low-carbon liquid fuels are an integral component of low-carbon transportation.
- Acknowledge the common goal of bringing low-carbon transportation to <u>all</u> people of California between the GGRF and the Low Carbon Fuel Standard.
- Integrate the LCFS policy goals within the GGRF investment plan policy.
- Recognize that people who live within designated disadvantaged communities are as worthy of <u>direct</u> participation in low-carbon transportation programs as those who are not disadvantaged.
- Acknowledge that offering <u>indirect</u> "pilot projects" of unproven technologies and programs within these communities does not reach parity with offering <u>direct</u> cash rebates, i.e. CVRP, to people who are not disadvantaged.
- Recognize that low-carbon liquid fuels provide a true onramp to low-carbon transportation for disadvantaged community members who have few or no other means of accessing it.

**3) Analysis of SB 535 Compliance Deficiencies**

- As of June 2014, only 4.5% of CVRP distributions have gone to Cal-EPA designated disadvantaged communities.
- The top 50% Median Household Income (MHI) zip codes have received 84% of not only total CVRP funding, but also hydrogen station spending, total EV rebates, and Individual EV rebates.
- The bottom 50% received the remaining 16% of CVRP spending.
- Individuals have received $130 million of the $135 million EV rebates.
- More CVRP money ($42 million) has gone to individuals living in the top income 10% zip codes than to individuals and businesses living in the bottom 50% income ($33 million).

Of note:

- Some 88% of Propel fueling locations are either in or bordering the zip codes representing the bottom 50% zip codes.

The table below outlines Median Household Income (MHI) by rank (lowest to highest) with the respective % of population (out of 36.5 million people in California), total spending between hydrogen stations and EV rebates (~$200 million), as well as percentage of individual and business EV rebates.

One recurring theme within the numbers is the discrepancy between the top and bottom 50%, where roughly 84% of CVRP spending goes to the top 50% zip codes and 16% goes to the bottom 50% zip codes. Again, these numbers are based on Median Household income rank for the state of California. Some other hard numbers:

- Total EV Rebates as of June 16, 2014: $135 million
- Total EV Individual Rebates: $130 million
- Total EV Individual Rebates to the top 10%: $42 million (32.3%)
- Total EV Individual Rebates to the top 20%: $70 million (53.8%)
- Total EV Individual Rebates to the bottom 50%: $19 million (14.6%)
- Total spending on the bottom 50%: ~$33 million

| MHI Rank | % of Population | % of Total Spending | H2 Spending | % of EV Spending | % of EV Individual | % of EV Business |
|---|---|---|---|---|---|---|
| Bottom 10% | 8% | 3% | 8% | 1% | 1% | 2% |
| Bottom 20% | 16% | 5% | 8% | 3% | 3% | 20% |
| Bottom 30% | 27% | 7% | 8% | 6% | 5% | 22% |
| Bottom 40% | 37% | 10% | 11% | 10% | 9% | 28% |
| Bottom 50% | 49% | 16% | 16% | 16% | 15% | 47% |
| Top 50% | 51% | 84% | 84% | 84% | 85% | 53% |
| Top 40% | 41% | 76% | 73% | 77% | 78% | 47% |
| Top 30% | 30% | 63% | 58% | 66% | 67% | 40% |
| Top 20% | 19% | 51% | 46% | 53% | 54% | 33% |
| Top 10% | 8% | 31% | 30% | 32% | 32% | 22% |

## 4) Propel Fuels Customer Research Summary

Here are five key data points from Propel's low-carbon fuel customer survey at its stations located in the San Joaquin Valley and the Inland Empire. The survey and methodology was designed by the independent research firm Lux Insights to ensure validity and accuracy of results.

1) E85 & B20 serve a highly diverse customer base:
   - Latino 49.27%
   - Asian 8.78%
   - African American 6.34%
   - Caucasian 35.61%

2) About 60% of Propel's low-carbon fuel customer base consists of economically challenged individuals or working families (based on Nielson address analysis).
   - Severely Economically Challenged: HH incomes $22,000 - $29,000 (20% of customers)
   - New American Working Families: Mainly Latino, Asian, and African-American families living in lower middle-class neighborhoods (38%)

3) Renewables serve the cash economy and provide a low-carbon solution for those with no immediate access to credit:
   - 28% pay with cash.

4) Renewable fuels provide the best fuel value in California:
   - 80% of customers say renewable fuel is a BETTER VALUE than conventional petroleum-based fuel. Some 95% of customers interviewed said renewable fuels have the SAME or BETTER value than petroleum fuels.

5) More access is needed:
   - 80% of customers cite "lack of convenience" as the key factor preventing them from fueling more often with renewables. Some 43% of customers surveyed currently must drive 10 miles or more to buy low-carbon fuel.

## 5) Suggested Remedies to Deficiencies

We dispute the assertion that attempting to install a limited number of electric vehicle pilot projects within designated disadvantaged communities complies with the spirit or letter of SB 535. While those projects may lay valuable groundwork for future growth of EVs in these communities, the reality today is that low-carbon liquid fuels are needed so that <u>everyone</u> who drives a vehicle in California can contribute toward meeting state greenhouse gas reduction goals. What is the point of an LCFS or low-carbon transportation program if not for that?

Spending $11 million in CVRP funds on novel projects that are costly, untested, complex and unfamiliar to late-adopter consumers poses financial risks nearly all venture capital would avoid. It also limits participation to a few individuals at the expense of the overall population living within disadvantaged communities who might otherwise benefit from the use of low-carbon liquid fuels – had the funds been invested in fueling infrastructure that everyone can access as an onramp to low-carbon transportation today and in the future. Lastly, expecting new Americans who live in a cash-based economic world to participate in pilot projects is, quite simply, not based in any data- or research-driven reality.

Thus, we recommend:

- Eliminate the $9 million designated for "Classic CVRP" pilot projects for disadvantaged communities.
- Add a new category titled "Low Carbon Fuel Access" projects targeted exclusively for Cal-EPA designated disadvantaged communities.
- Place the $9 million in that category.
- Trim another $9 million from CVRP, HVIP, Zero-Emission Truck and Bus, and Advanced Freight Truck and Bus pilot project funds and place that $9 million into the new Low Carbon Fuel Access category, bringing the total to $18 million.
- Release RFPs to qualified bidders to build low-carbon liquid fueling outlets exclusively within Cal-EPA designated disadvantaged communities.
- Allow qualified bidders to use these funds to leverage/match other sources of revenue such as the CEC's ARFVTP as a way to stretch each low-carbon dollar.